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RUEHLO/AMEMBASSY LONDON 1599
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SUBJECT: BUSINESS SUPPORTS STATE OF EMERGENCY

11. (SBU) SUMMARY: Business leaders support the January 11 declaration of a state of emergency, expecting it will allow commerce to return to normal under conditions of political stability. They believe the general public accepts the state of emergency, say the new Chief Advisor is well regarded, and express optimism that despite the short-term economic impact of the blockade program, the medium to long-term impact will be negligible. END SUMMARY.

12. (SBU) Business leaders' frustration with the political stalemate came to a head on January 6, just days before President Iajuddin Ahmed's January 11 declaration of a state of emergency. Already suffering losses from two months of political agitations and disruptions at the country's main port, the business community feared that continuous agitation both before and after a one-sided election could inflict long-term damage on the economy and the key ready made garment (RMG) sector. (Some estimate each blockade day cost the RMG sector alone 20 billion taka (\$29.4 million) and more than 50 billion taka (\$73 million) for the Bangladesh economy generally.) Most of the major business chambers therefore called for the two major political alliances to negotiate a compromise political solution. The Federation of Bangladesh Chambers of Commerce and Industry, the country's apex trade body, went further. In their press conference they called on the President/Chief Advisor to declare a state of emergency if the political impasse could not be resolved quickly.

Business Reacts Favorably

13. (SBU) It comes as no surprise, then, that the business community is expressing support for the state of emergency and a reconstituted Council of Advisors. Econoff contacted several prominent business leaders on January 14 for their initial reactions.

14. (SBU) The RMG sector expressed relief over the turn of events. A major cotton importer summed up reactions: "Implementation of the state of emergency was well done; there was no alternative." Now, he says, everyone can get back to work. The woven sector, which depends heavily on imports for its main inputs, had begun canceling orders because port disruptions were preventing factories from importing the textiles they needed. The knitwear sector, which sources most of its yarn domestically, was able to meet order commitments by using airfreight instead of sea freight, but the additional costs were becoming prohibitive. RMG owners we contacted expect port operations to return to

normal within two to three weeks. Officials at the Dhaka Export Processing Zone confirm these estimates.

15. (SBU) Estimates of the number of orders cancelled vary widely, with some estimates as high as 50%. Syed Ershad Ahmed of the Bangladesh branch of Expeditors, a global shipping and logistics company, works closely with several major US buyers, including Wal-Mart and The Gap. Ershad said buyers have not yet turned to other countries to source their products, due primarily to the lead times needed to establish reliable new long-term supply chains. If the situation had worsened, however, he believes buyers would have reduced their commitment to Bangladesh, perhaps turning to India as an alternative.

16. (SBU) American Chamber of Commerce-Bangladesh Executive Director Gafur told Econoff that people accept the state of emergency and appointment of a new Chief Advisor. He predicts it will take time for any problems or resistance by the general public to arise. Reflecting the earlier general state of uncertainty in the business community, he said AmCham had been considering postponing their annual US Trade Show, set for mid-February, due to exhibitors' unwillingness to participate. Renewed business optimism means they may not have to reschedule after all, Gafur said.

17. (SBU) Businesspeople in other sectors also support the state of emergency. Habibullah Karim of Technohaven, a computer software developer, told Econoff the business community welcomed the end of political agitation. "This should have been done a long time ago," he said. Mohammed Mahtab Uddin, whose business interests include publishing and ceramics manufacturing, expressed anger at the political stalemate and at corruption. He thinks fixing the voter list

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and preparing for elections will take many months but that people will give the new Chief Advisor the time he needs. The people are "fed up" with the Bangladesh Nationalist Party and the Awami League, he opined, and would welcome a third option, but no one has the funding or "muscle" to compete against the two parties.

Comment

18. (SBU) The business community grew increasingly alarmed at the prospect of prolonged political agitation and civil unrest as a one-sided election appeared inevitable. Although adept at coping with chronic governance and corruption problems, blockades and nationwide strikes risked long-term damage to the economy, and the business community was willing to support almost any solution that could restore political stability and normal commercial activity.
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